

Welcome to the 2012 Employer Seminar



Everybody Owns Integrity

- The United States Department of Labor (USDOL) has launched a nationwide campaign dedicated to the prevention and detection of unemployment insurance fraud.
- State of Michigan to launch its own campaign.
- Fiscal Integrity Group - a Division created by Director Arwood responsible for implementing the ***Everybody Owns Integrity Initiative***.

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- The State of Michigan fully supports this effort. Protecting the integrity of Michigan's unemployment insurance program is of the utmost importance to the Unemployment Insurance Agency (UIA).
- The UIA and Director Steve Arwood are taking this project very seriously and are moving expeditiously to launch the State of Michigan's own campaign dedicated to the early detection and prevention of fraudulent activity.
- With this initiative, the UIA is focusing its energy and resources on identifying, maintaining, and improving the integrity of the entire Michigan UI system.

UI Fraud Costs Everyone

It is a crime and it affects everyone

- Drives up unemployment taxes for businesses
- Affects people with legitimate jobless claims
- Puts a strain on the state's unemployment trust fund
- Puts the person committing the fraud in a situation where they may face criminal prosecution, fines and penalties

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Benefit Fraud

- Mention that this is your unit, which handles the prosecution referrals or cases that need field work.

- Explain that this is the reason why ***we all own integrity***. We are very excited about this project and are asking for your assistance with full implementation of our *Everybody Owns Integrity Initiative*. We believe the best way to address this problem is through a cooperative effort between the UIA and the employer community!

-Use example below if necessary:

Example: 80% of the claimants are in survival mode. Some may have lost high paying jobs and now are forced to live on unemployment. They wouldn't normally commit the crime, but are in survival mode. It doesn't excuse their actions, but it does put them in a very bad position.

Today we are going to discuss:

- Types of fraud
- Steps the UIA is taking to prevent and detect fraudulent activity
- Steps the employer community may take to prevent and detect fraudulent activity

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- Claimant and employer

Types of Fraud

- **Claimant**
 - Working full time while collecting benefits and not reporting hours of work and earnings to MARVIN
 - Supplying intentionally misleading information or failing to disclose information such as vacation/holiday pay, severance pay, or other pay after job separation
 - Providing false information about work search efforts
 - Failing to report being unable and unavailable to work (ill or injured, on vacation) while continuing to collect UI benefits
 - Using another person's identity (name or social security number) to work and/or file a UI claim
 - Failing to report refusals of work
 - Providing false information about reason for separation



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MARVIN – Michigan's Automated Response Voice Interactive Network

-Use examples below if necessary:

Example for working FT while collecting benefits:

Explain that MARVIN asks claimants three pertinent questions: Are you back to work full time? Did you have any earnings during the weeks you are claiming? And, most importantly, did you perform any type of work during the weeks you are claiming?

Using another person's ID: Indicate that identity theft is on the rise in all programs administered by the state.

Example for providing false info:

Indicate that quitting and being fired are gray areas as they are open to individual's perception of whether they quit or were fired, but if they say they

were laid off and clearly they were not, then that could be fraud.

Types of Fraud

- **Employer**
 - Providing false information to prevent an otherwise eligible claimant from obtaining benefits
 - Paying employees “under the table” to avoid paying taxes
 - Incorrectly reporting wages
 - Intentionally misclassifying employees as independent contractors
 - Colluding with employees in order to obtain benefits
 - Misrepresentation or failure to disclose family ownership

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- Employer = Individuals or businesses that deal in cash only or use other schemes to hide their activities and their true tax liability such as...
- Questions Re: misclassification please refer to IRS 20 Factor Test (starts in 2013) which will be discussed in the afternoon session.

Examples:

Providing false info:

Layoff an employee-the employee then files for benefits, then you state the employee was fired for misconduct.

Under the table:

Pay in cash or gift cards.

Incorrectly reporting wages:

Under or over reporting wages on 1017

Misrepresentation/disc. of family ownership:

You and your spouse have 50% ownership in a corporation. The corporation is doing well financially, then there is an economic downturn, the wife files for benefits and does not indicate she had 50% ownership in the business.

Steps the UIA has taken to prevent and detect fraudulent activity

- Launched the Everybody Owns Integrity Campaign
- Created the Fraud Initiative Taskforce
- Implemented the procedure to crossmatch with the National Database for New Hires www.mi-newhire.com
- Implemented the procedure to crossmatch Wage/Benefit information



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Benefit Fraud

- Point out that the campaign is being launched to raise public awareness about the high price we all pay for UI Fraud and the importance of reporting it. Employers will soon be hearing and seeing:

- Billboard announcements
 - Radio announcements
 - Public news releases
- **TEU - This taskforce is made up of front-line UIA employees. Their assignment is to thoroughly review current UIA policies and procedures, identify weaknesses and areas where they may be compromised, and provide suggestions for improvements. Manager of TEU serves on this committee.**
- NDNH – Employer database mandated by the Federal Government, initially used to assist Child Support agencies in locating parents that have not paid or are behind in child support payments. UIA uses the database to crossmatch this information with new claims as a detection tool to curb potential overpayments.

Example: Direct employers to the website and inform them that it is important to register new hires either online or in writing. That this not only helps catch mothers and fathers that don't pay child support, but helps our Agency catch those that might have a new job. Explain that prior to this automation, we had to have a case in our hands and manually search this database to see if they were working somewhere. Sometimes we don't know they are working for XYZ company until after that company reports their quarterly wages, but now with the new crossmatch, their social security number should come up as a hit that they are collecting.

- Wage/Benefit – Employers weekly wage breakdown and claimant's response to request for explanation of benefits received, are compared to determine eligibility.

Additional steps the UIA is taking to prevent and detect fraudulent activity

- Working on a Base Period Wage Verification
- Working on a Deceased Claimant Crossmatch
- Working on a Claimant Messaging Initiative
- Conducting investigations and preparing reports of findings
- Submitting these findings (*when appropriate*) to the Office of the Attorney General to seek prosecution
- Assessing penalties and interest
- Collecting restitution

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- Base Period Wage Verification – currently under development. Automated requests to be mailed to employers to confirm any dates of employment and wages listed for a base period that were not previously listed.

Example: Base Period Wage Verification helps in two ways:

1. If there are no starting or ending dates for an employee listed in the base period, then the Agency automatically sends a letter to that employer asking them to supply that information. This would show if they worked while drawing benefits.

2. In the past, a claimant was able to provide the Agency with wages. The Agency would then send a letter to the employer asking if those wages are correct. If the employer failed to respond, then the Agency would take the Claimant's word and enter the Claim. Now, if the Claimant provides wages, the Agency does not open a claim right away and requests that the Claimant provide sufficient proof such as check stubs which would show that they made that money.

Further explain that this should help curb the fictitious employer schemes as they can no longer make up wages. Indicate that this has recently taken effect.

- Deceased Claimant Crossmatch – UIA entered into an agreement with the Michigan Dept. of Community Health to crossmatch active claimant records against State Death Certificates on a quarterly basis (estimated to start by end of 1st Qtr. 2012)
- Claimant Messaging Initiative – Problem Resolution Offices are now equipped to show educational videos on fraud prevention and ways to avoid overpayments. In addition claimants and employers are being educated via billboards, bus advertisement, public service announcements, radios ads, internet ads, fact sheets, and news articles about the consequence of fraud and how to detect and prevent fraud.

- With regard to the bullets about investigations, Attorney General and assessing penalties, etc:

Discuss the partnership with the Attorney General's office regarding more complex crimes. These crimes might involve more than one individual and more than one crime such as welfare, id theft, etc. In a situation as this, charges could be stacked and individuals could be charged with racketeering, a 20-year felony. This packs more power to our punch.

Also mention that receiving \$3,500 in benefits fraudulently is a felony.

Example: in Ingham County, it takes four months to get a warrant issued because it was a misdemeanor, which goes to the bottom of the stack. For a felony, a warrant can be issued immediately. It also helps with local law enforcement in that they are more willing to work with us to pick up suspects accused of a felony than those accused of a misdemeanor.

Steps the Employers may take to prevent and detect fraudulent activity

- Thoroughly review the (Form 1136) Statement of Unemployment Benefits Charged or Credited to Employer's Account **upon receiving** it and **notify the UIA immediately** of discrepancies.
- Thoroughly review the (Form 1770) Summary of Statement of Benefit Charges and Credits **upon receiving** it and **notify the UIA immediately** of any discrepancies.
- Accurately and timely complete all information on the revised Quarterly Tax Report – Form 1028 (*previously Form 1020*) and the Wage Detail Report (*previously Form 1017*)
- At the time of hire, verify that your employees' names & Social Security Numbers (SSNs) match the Social Security Administration's (SSA) records.



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The Agency would like to ask for your help with preventing and detecting fraud.

- UIA 1136 – Statement of Unemployment Benefits Charged or Credited to Employer's Account.

- If an employer believes the worker was ineligible for benefits, a written protest to Form UIA 1136 must be received by the UIA within 30 days from the date it was mailed. (see UIA 1136 from earlier presentation)

- UIA 1770 – Summary of Statement of Benefit Charges and Credits

- UIA 1770 can also be protested within 30 days from the date it was mailed, but only the calculation of charges to the employer's account can be protested (see attached UIA 1770 example)

- UIA 1028 – Quarterly Tax Report- combined 1020 with 1017 – to be finalized soon

- The SSA offers employers and authorized reporting agents several methods for verifying employees' SSNs.

Steps the Employers may take to prevent and detect fraudulent activity (cont.)

- Perform online verifications
 - Verify up to 10 names and SSNs online and receive immediate results
 - Verify large volume through batch
 - Visit www.ssa.gov/employer/ssnv.htm
- Additional Verification Options
 - Submitting on paper or over the phone by calling 1-800-772-6270
 - Participating in the E-Verify Program at www.dhs.gov/e-Verify
 - Contacting U.S. Citizenship & Immigration Services (USCIS) at 1-888-464-4218
- Keep Accurate Employment Records
- Destroy Inactive Payroll Records Properly
- Protect Your Employees by using an alternate employee number rather than a social security number to identify them

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- When an individual's employment ends with you for any reason, be sure to keep detailed records so you can respond to UIA notices, telephone calls, and investigations.
- Retain employment records for 6 years as per the MES Act.

Steps the Employers may take to prevent and detect fraudulent activity (cont.)

- If you think someone is committing unemployment benefit or payroll tax fraud, please report it immediately. All allegations are taken seriously. Please include as much information as you can such as:
- Who is committing fraud?
- What is their address and phone number?
- What type of fraud (against employees or employer?)
- What are they doing that you believe constitutes fraud?
- When did the fraud occur and is it still happening?
- Visit Michigan.gov/UIA to complete the 2-minute Fraud Reporting Form
- Call our fraud hotline at **1-855-UI-CRIME (842-7463)**



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Benefit Fraud

Example: Employers should carefully review 1136, Statement of Unemployment Benefits Charged or Credited to Employer's Account. More specifically, look to see if the employee is reporting any wages to the UIA. If they see "0" wages reported, and they know they are working somewhere or are back to work for them, then they should report it to the Agency.

They can report by phone or online, and also explain that being detailed with their report is very important.

EVERYBODY OWNS INTEGRITY

TOGETHER WE CAN COMBAT
UNEMPLOYMENT INSURANCE FRAUD

THANK YOU FOR JOINING US TODAY!



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